

PROPOSED RESOLUTION

Resolution W-5025
DWA

AGENDA ID #13698
Item #11 (Rev. 2)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5025
February 26, 2015

RESOLUTION

(RES. W-5025) CALIFORNIA-AMERICAN WATER COMPANY (CAL AM). ORDER AUTHORIZING TO RE-INSTATE THE SAND CITY SURCHARGE AT CURRENT RATES EFFECTIVE MARCH 1, 2015 UNTIL THE DECISION TO GENERAL RATE CASE APPLICATION (A.) 13-07-002 IS ISSUED.

By Advice Letter No. 1069, filed on January 8, 2015.

SUMMARY

By Advice Letter (AL) 1069 filed on January 8, 2015, California-American Water Company (Cal-Am) seeks Commission authorization to re-instate the Sand City surcharge at the current rate in effect when it expired on January 1, 2015 to be made effective March 1, 2015 if a final Decision in the 2013 General Rate Case (GRC) in Application (A.) 13-07-002 is not issued by end of February 2015. However, if the final Decision is issued prior to the effective date of this Resolution, AL 1069 will be rejected and this Resolution will be moot and will be withdrawn. The Surcharge rate will be updated in accordance with the GRC decision once it is adopted. This resolution grants Cal Am's request.

BACKGROUND

The Sand City Desalination Plant Purchase Water Balancing Account was established by Decision (D.) 13-04-015 to reflect a forecasted amount of water to be delivered from the Sand City Desalination Plant, subject to annual adjustments to reflect actual water delivered.¹ By Advice Letter 1013-B, adopted on June 7, 2013, Cal-Am established the

¹ D.13-04-015. Ordering Paragraphs 6 and 7 state:

6. California-American Water Company (Cal-Am) is authorized to establish the Sand City Desalination Plant Purchased Water Balancing Account and to file and serve a Tier 2 Advice Letter to incorporate the Account into its tariffs. The Balancing Account shall reflect a forecasted amount of water to be delivered

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Sand City Desalination Plant Purchased Water surcharge to recover the total allowed actual forecasted costs of the Sand City Desalination Plant from July 1, 2013 through December 31, 2014. The surcharge amount of \$0.4918 per 10 cubic feet (CF) was collected from certain customers in Cal-Am's Monterey County District in the Monterey Main Tariff Area.² By Advice Letter 1064, adopted on December 30, 2014, Cal-Am requested authorization to implement interim rates in connection with Cal-Am's 2013 GRC in A. 13-07-002 and establish an interim 2013 GRC Rate Memorandum Account. That request was in compliance with authorizations of the Commission as detailed in the Rate Case Plan in D. 07-05-002 and ALJ Ruling issued on September 16, 2014 in A. 13-07-002. The ALJ Ruling also required Cal-Am to file a Tier 1 Advice Letter to change tariffs, effective January 1, 2015, to implement interim rates for its service territory and establish a memorandum account to track the difference between the interim rates and the final rates adopted by the Commission. The Sand City surcharge expired on January 1, 2015.

from the Sand City Desalination Plant, subject to annual adjustment to reflect actual water delivered.

7. California-American Water Company (Cal-Am) is authorized to include in the Sand City Desalination Plant Purchased Water Balancing Account \$2,599 per acre-foot for water delivered to the Monterey District system from the Sand City Desalination Plant with today's decision, to the extent such costs were properly recorded in the Cease and Desist memorandum account at the time costs were incurred. Cal-Am must include in its Advice Letter incorporating the Sand City Desalination Purchased Water Balancing Account into its tariffs an auditable accounting of the actual monthly water production from the Plant delivered to the Monterey District. Such production, measured in acre-feet, must be priced at \$2,599 per acre-foot delivered. The resulting total cost for water delivered may be included in the Sand City Desalination Plant Balancing Account Surcharge and amortized over a period of not less than twelve months. Any costs in excess of \$2,599 per acre-foot are disallowed for ratemaking recovery and must be removed from the memorandum account. For the period prior to the effective date of this decision, interest shall accrue as specified for the memorandum or balancing account in which the costs were properly recordable at the time they were incurred, based on allowable costs of \$2,599 per acre-foot. From and after the effective date of this decision, the interest rate on such amounts shall be specified for other amounts recorded in the Sand City Desalination Plant Purchased Water Balancing Account.

² Surcharge is collected from the following tiers of customer classes: Residential - Tier 4 and 5; Irrigation - Tiers 1 and 2; and Non-Residential - Tier 3.

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In Advice Letter 1069, Cal-Am requests authorization to re-instate the Sand City surcharge effective March 1, 2015 if the Commission does not issue a decision in A. 13-07-002 by end of February, 2015.

NOTICE AND PROTESTS

In compliance with General Rule 4.3 of General Order 96-B, a copy of this advice letter was served on the service list of Advice Letter 1069. No protests were received.

DISCUSSION

The Sand City surcharge authorized in Advice Letter 1013-B expired on January 1, 2015. Through Advice Letter 1069, Cal-Am is requesting the Commission to re-instate the surcharge at the current rate in effect when it expired on January 1, 2015 to be made effective March 1, 2015 if a final Decision in the 2013 General Rate Case (GRC) in Application (A.) 13-07-002 (GRC Decision) is not issued by end of February 2015.

The Division of Water and Audits believes that Cal-Am's request to re-instate the Sand City surcharge effective March 1st through the time the GRC Decision is adopted is reasonable and should be approved. The difference in the re-instated surcharge and the final surcharge from the GRC Decision can be tracked in a sub-account within the existing memorandum account to track the difference between interim and final rates that was established pursuant to the ALJ ruling of September 16, 2014 in A. 13-07-002. Cal-Am should file a Tier 2 Advice Letter within 30 days of the GRC Decision to request a surcharge or sur-credit of any under or over collection for the net balances in the interim surcharge sub-account arising from the difference between the re-instated interim surcharge and the final surcharge in the existing interim rate memorandum account adopted in A.13-07-002.

The Division of Water and Audits notes that if the final Decision is issued prior to the effective date of this Resolution, this Resolution will become moot and should be withdrawn. Simultaneously, AL 1069 should be rejected.

SAFETY CONSIDERATIONS

By restoring payments for water production from the Sand City Desalination Plant that have lapsed because of the delay in issuing a decision in A.13-07-002, this Resolution provides a stopgap to ensure that Cal Am receives revenues from sales of potable water from the Sand City Desalination Plant that will give Cal

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Am the necessary financial resources to *safely* operate and maintain this plant for the benefit of its customers, employees, and members of the general public.

We find the recommendations of the Division of Water and Audits reasonable.

COMMENTS

Public Utilities Code section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Advice Letter 1069 is unopposed and grants the relief requested. Pursuant to Section 311(g)(2), this draft Resolution was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. Decision (D.) 13-04-015, authorized the establishment of a Sand City Desalination Plant Purchase Water Balancing Account to reflect a forecasted amount of water to be delivered from the Sand City Desalination Plant, subject to annual adjustments to reflect actual water delivered.
2. Advice Letter (AL) 1013-B, authorized a surcharge to recover the total allowed actual forecasted costs of the San City Desalination Plant from July 1, 2013 through December 31, 2014.
3. The surcharge amount authorized by AL 1013-B was \$0.4918 per 10 cubic feet (CF) to be collected from certain customers in Cal-Am's Monterey County District, Monterey Main Tariff Area.
4. The Sand City surcharge expired on January 1, 2015.
5. Cal-Am's request to re-instate the Sand City surcharge effective March 1, 2015, if the Commission does not issue a Decision in A. 13-07-002 by end of February, 2015, is reasonable.

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6. If the Sand City Surcharge is re-instated, it is reasonable to track the difference between the re-instated surcharge and the final surcharge adopted by the Commission in a sub-account within the existing memorandum account to track differences between interim and final rates that were established pursuant to the ALJ ruling of September 16, 2014 in A. 13-07-002.
7. If the Sand City surcharge is re-instated, it is reasonable for Cal-Am to file a Tier 2 Advice Letter for a surcharge or sur-credit for any net under or over-collection recorded in a sub-account in the existing interim rate memorandum account.
8. If the Commission issues a Decision in A. 13-07-002 prior to the effective date of this Resolution, it is reasonable to withdraw the Resolution and simultaneously reject AL 1069.
9. By restoring payments for water production from the Sand City Desalination Plant that have lapsed because of the delay in issuing a decision in A.13-07-002, will provide Cal-Am the necessary financial resources to *safely* operate and maintain this plant for the benefit of its customers, employees, and members of the general public.

THEREFORE IT IS ORDERED THAT:

1. Cal-Am's request to re-instate the Sand City surcharge at the current rate in effect when it expired on January 1, 2015 to be made effective March 1, 2015 if a final decision in the 2013 General Rate Case (GRC) in Application (A.) 13-07-002 is not issued by end of February 2015 is approved. In such an event:
 - a. Cal-Am shall track the difference between the re-instated interim surcharge and the surcharge adopted by the Commission in A. 13-07-002 in a re-instated interim surcharge sub-account within the existing interim rate memorandum account that was established pursuant to the ALJ ruling of September 16, 2014 in A. 13-07-002.
 - b. Cal-Am shall file a Tier 2 Advice Letter within 30 days of issuance of a final decision in Application (A.) 13-07-002 to amortize any over or under collection recorded in the re-instated interim surcharge sub-account within the existing interim rate memorandum account established pursuant to ALJ ruling of September 16, 2014 in A. 13-07-002.

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- c. The following tariff schedules attached to Advice Letter 1069 are approved: 1) Schedule No. MO-1: Monterrey County District Tariff Area, General Metered Service, Residential and Multi-Residential Customers; and 2) Schedule No. MO-1C: Monterrey County District Tariff Area, General Metered Service, Non-Residential Customers
2. If the Commission issues a Decision in A. 13-07-002 prior to the effective date of this Resolution, this Resolution will be moot and Advice Letter 1069 will be rejected.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California on February 26, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5025 on all parties in these filings or their attorneys as shown on the attached lists.

Dated February 13, 2015, at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

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CALIFORNIA AMERICAN WATER COMPANY ADVICE LETTER NO. 1069 SERVICE LIST

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